

Our Ref: INS/TEC/6/45

27 June 2022

To : Chief Executives / Responsible Officers of all insurance institutions (“IIs”)¹

Dear Sirs,

Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill 2022

We are writing to inform you that the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill 2022 (the “Bill”) was published in the Government Gazette on 24 June 2022 and is scheduled to be introduced into the Legislative Council on 6 July 2022. The Bill is available on the Government’s website <https://www.gld.gov.hk/egazette/pdf/20222625/es32022262516.pdf>.

The Bill aims to enhance Hong Kong’s regulatory regime for combating money laundering and terrorist financing in fulfilment of Hong Kong’s obligations under the Financial Action Task Force (“FATF”). It seeks to introduce a licensing regime for virtual asset service providers, and a registration regime for dealers in precious metals and stones, so as to impose statutory anti-money laundering and counter-terrorist financing (“AML/CTF”) obligations on these two sectors.

The Government will also take this opportunity to address a number of miscellaneous and technical issues under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615) (“AMLO”) which have been identified in the Mutual Evaluation and other FATF contexts.

The proposed amendments, which are more relevant to the insurance sector, include:-

- (a) amending the technical definition of “politically exposed person” (“PEP”) in accordance with the FATF requirement, and allowing more flexibility in the treatment of former PEPs who are no longer entrusted with a prominent public function by allowing a financial institution to take a risk-sensitive approach in determining the degree of customer due diligence that is to be taken in respect of such persons;

¹ Definition of IIs should be construed in conjunction with the Guideline on Anti-Money Laundering and Counter-Terrorist Financing (“GL3”), i.e. authorized insurers and reinsurers carrying on long term business, and licensed individual insurance agents, licensed insurance agencies and licensed insurance broker companies carrying on regulated activities in respect of long term business.

- (b) better aligning the definition of “beneficial owner” in relation to a trust under the AMLO with that of “controlling person” under the Inland Revenue Ordinance (Chapter 112), by clarifying that, where a trust is concerned, it includes trustees, beneficiaries and class(es) of beneficiaries;
- (c) allowing the engagement of digital identification systems to assist the conduct of customer due diligence in situations where a customer is not physically present for customer identification and verification purposes (i.e. non-face-to-face (“NFTF”) situations) so as to provide more flexibility for financial institutions and designated non-financial businesses and professions who adopt NFTF technologies; and
- (d) consolidating the different provisions under individual Parts of AMLO (which provide for confidentiality of information obtained under AMLO for AML/CTF purposes and permit disclosure to specified persons) into provisions applicable across different Parts of the AMLO and including a prohibition on a person subject to inspection, investigation or disciplinary action from disclosing information.

Should you have any enquiries regarding the above, please contact Mr Joseph Lee at 3899 9755 or Miss Stephanie Luk at 3899 9758.

Yours faithfully,

Dickson Chui
Senior Manager
Market Conduct Division
Insurance Authority

c.c. The Hong Kong Federation of Insurers
Professional Insurance Brokers Association
The Hong Kong Confederation of Insurance Brokers